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## WVU POLICY

### DIVISION OF FINANCE

### CLASSIFICATION OF EXPENSES

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#### 1. PURPOSE & SCOPE

- 1.1. **Purpose** – To provide general principles and guidelines for the proper classification of expenses.
- 1.2. **Scope** – This policy applies to all West Virginia University departments, including those on the regional campuses - Potomac State College of WVU, WVU Institute of Technology, Charleston division of the Robert C. Byrd Health Sciences Center, Jackson’s Mill State 4-H Conference Center and Camp, and the WVU Farms – and the West Virginia University Research Corporation.

#### 2. POLICY

- 2.1. **Expense Recognition** – Expenses are recognized on an accrual basis in accordance with generally accepted accounting principles (GAAP) and requirements of the Governmental Accounting Standards Board (GASB). Expenses are recognized when incurred regardless of the timing of cash disbursements. Advance payments for goods or services to be provided in the next fiscal year are classified as prepaid expenses.

**Types of Expenses**– Expenses are classified as either operating or nonoperating in accordance with GASB requirements.

**Operating expenses** include salaries and wages; fringe benefits; scholarships and fellowships; utilities; supplies and other services; depreciation and amortization expense; and other operating expenses.

**Nonoperating expenses** include interest on capital asset-related debt; assessments by the Higher Education Policy Commission for debt service, debt issuance costs; and other nonoperating expenses. Other nonoperating expenses are reported net of other nonoperating revenues on the University’s financial statements.



## 2.2 Internal Sales

Internal sales transactions should be eliminated for reporting on the University's Statement of Revenues, Expenses and Changes in Net Position. In other words, revenues and expenses from internal sales should not be grossed up and should be reported net in the University's financial system.

Contra codes (line items and departmental activities in the University's current system) should be used for recording all material internal sales carried on in the normal course of operations.

Applicable accounting guidance: Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as amended, and No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities", as amended, and other guidance issued by GASB.

Other applicable accounting guidance includes:

- GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", as amended.
- GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", as amended.
- Advisory Report 2023-01, "Public Institutions: Accounting for and Reporting Financial Aid as a Discount", National Association of College and University Business Officers (NACUBO).
- "Financial Accounting and Reporting Manual for Higher Education", NACUBO.
- Other guidance from GASB including implementation guides.

## 3. DEFINITIONS

- 3.1. **Expense** – Outflows or the consumption of an entity's net assets that are applicable to the current reporting period from delivering or producing goods, rendering services, or other activities that constitute an entity's ongoing major or central operations.
- 3.2. **Internal Sales** - Sales of goods or services between departments of the University (for example, between an auxiliary and an academic department). Examples include facilities rental, parking and printing services.

## 4. RESPONSIBILITIES



- 4.1. **Interpretation** – The responsibility for interpretation of this policy rests with the Senior Associate Vice President for the Division of Finance or designee.
- 4.2. **Application** – The responsibility for application of this policy rests with Institutional Accounting, Reporting and Analysis.
- 4.3. **Procedure Development** – The responsibility for procedure development of this policy rests with Institutional Accounting, Reporting and Analysis.

## 5. AUTHORITY & REFERENCES

- 5.1. WVU Board of Governors Finance & Administration Rule 5.1 Approvals and Delegation of Authority for Financial and Administrative Matters (under consideration for approval and out for public comment).

## 6. SUPERCEDES

- 6.1. This policy supersedes all other Classification of Expenses policies, procedures or guidelines at the University to the extent those documents are inconsistent with and fall under the scope of this policy.

Signature: Barbara Weiss Date: Jul 10, 2024

Barbara Weiss  
Senior Associate Vice President – Division of Finance



# FIN-IARA-10 Classification of Expenses

Final Audit Report


2024-07-10

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